

VZCZCXRO1961  
PP RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN  
DE RUEHSB #0266/01 0861023  
ZNR UUUUU ZZH  
P 271023Z MAR 09  
FM AMEMBASSY HARARE  
TO RUEHC/SECSTATE WASHDC PRIORITY 4296  
INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
RUEHUJA/AMEMBASSY ABUJA 2256  
RUEHAR/AMEMBASSY ACCRA 2735  
RUEHDS/AMEMBASSY ADDIS ABABA 2857  
RUEHBY/AMEMBASSY CANBERRA 2122  
RUEHDK/AMEMBASSY DAKAR 2478  
RUEHKM/AMEMBASSY KAMPALA 2905  
RUEHNR/AMEMBASSY NAIROBI 5346  
RUEAIIA/CIA WASHDC  
RUEHGV/USMISSION GENEVA 2024  
RHEHAAA/NSC WASHDC  
RHMFISS/JOINT STAFF WASHDC  
RUEHC/DEPT OF LABOR WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEFDIA/DIA WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK  
RUZEHAA/CDR USEUCOM INTEL VAIHINGEN GE

UNCLAS SECTION 01 OF 02 HARARE 000266

SENSITIVE  
SIPDIS

AF/S OR B. WALCH  
AF/EPS FOR ANN BREITER  
DRL FOR N. WILETT  
NSC FOR SENIOR AFRICA DIRECTOR  
STATE PASS TO USAID FOR L.DOBBS AND J. HARMON  
TREASURY FOR D. PETERS  
COMMERCE FOR ROBERT TELCHIN  
ADDIS ABABA FOR USAU  
ADDIS ABABA FOR ACSS

E.O. 12958: N/A  
TAGS: [PHUM](#) [PREL](#) [ECON](#) [ASEC](#) [EAID](#) [ZI](#)  
SUBJECT: BANKS STRUGGLE WITH LOGISTICS OF PAYMENTS TO CIVIL  
SERVANTS

REF: HARARE 232

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Summary  
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1. (U) Funds have been released to pay government employees the March US\$100 foreign exchange allowance that tops up their worthless Zimbabwe dollar salaries. At mid-month, however, when the allowances were due to be paid, many recipients were not able to withdraw the funds due to shortcomings in the banking sector's payment system and the logistical challenges of importing and distributing cash to all bank branches. Government employees in rural areas were still struggling to access the allowance at month's end. With the official Poverty Datum Line for a family of five set at a generous US\$552 per month, even assuming cash distribution problems are solved, the meager allowance will not satisfy civil servants and the uniformed forces, leading to frustration and impatience within these important populations. End Summary.

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Payment System to Blame for Delays  
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2. (SBU) Martha Mugwenhi, Deputy Director of Domestic and International Finance in the Ministry of Finance, told economic specialist on March 25, 2009 that the GOZ had again paid out a US\$100 monthly allowance in March to all civil servants and uniformed forces as a top-up to their (worthless) Zimbabwe dollar salaries. Deficiencies in the

banking sector's payments system had prevented many civil servants from accessing their allowance quickly, as local banks have to clear foreign currency payments at their offshore Nostro accounts rather than domestically (reftel). Ron Mutandagayi, Chief Operating Officer of ZB Bank, told us on March 24, 2009 that banks had not been able to import cash fast enough and distribute it to their branches to pay civil servants on time.

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Importing and Distributing Cash Further Challenge  
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¶3. (SBU) Dr. John Mangudya, president of the Bankers Association of Zimbabwe and managing director of CBZ pointed out to us on March 26 that the majority of government employees banked at non-commercial banks such as POSB (a savings bank), CABS (a building society) and Agribank (a government-owned bank for the agricultural sector), which had the widest network of branches in Zimbabwe. The non-bank financial institutions, in particular, were still struggling with the combined problems of offshore payments and the importation and distribution of cash, especially to rural areas. Long lines had reappeared outside these institutions. Agribank has the additional problem of being unable to open Nostro accounts due to being a sanctioned entity; it has to QNostro accounts due to being a sanctioned entity; it has to rely on third parties to import US dollars on its behalf. School headmasters in rural villages told us today that their teachers were still struggling to access the allowance paid into their bank accounts, leaving classrooms empty as

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teachers spend their days waiting outside banks. Commercial banks, on the other hand, had been able to use their foreign exchange cash flow to pay out allowances upon deposit.

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Government Employees Mired in Poverty  
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¶4. (U) The government's Central Statistical Office announced this week that the Poverty Datum Line for a family of five was US\$552 in January, 2009. (NOTE: In contrast, GDP per capita is only about a dollar a day, about 27% of the calculated poverty datum line. END NOTE.) Although prices have been falling since January, the US dollar allowance still leaves the vast majority of civil servants and uniformed forces mired in poverty.

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Comment  
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¶5. (U) Following government promises to pay salaries in foreign currency, even assuming cash distribution problems are solved, the meager allowance will be insufficient to satisfy civil servants and the uniformed forces, leading to frustration and impatience within these important populations.  
DHANANI